

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Downriver Recreation Commission	County St. Clair
Audit Date June 30, 2005	Opinion Date July 15, 2005	Date Accountant Report Submitted To State: December 21, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 10 South Main Street, Suite 200	City Mount Clemens	State MI	ZIP 48043
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **Downriver Recreation Commission**

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**Financial Report  
with Supplemental Information  
June 30, 2005**

# **Downriver Recreation Commission**

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## Independent Auditor's Report

To the Board Members  
Downriver Recreation Commission  
Algonac, Michigan

We have audited the basic financial statements of Downriver Recreation Commission as of June 30, 2005 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Downriver Recreation Commission at June 30, 2005 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Downriver Recreation Commission. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

July 15, 2005

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# Downriver Recreation Commission

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2005

	General Fund - Modified Accrual Basis	Adjustments	Statement of Net Assets - Full Accrual Basis
<b>Assets</b> - Cash and cash equivalents (Note 2)	<u>\$ 10,540</u>	\$ -	\$ 10,540
<b>Liabilities</b> - Accrued liabilities	\$ 2,289	-	2,289
<b>Fund Balance</b> - Unreserved/Undesignated	<u>8,251</u>	<u>(8,251)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 10,540</u>		
<b>Net Assets</b> - Unrestricted		<u>\$ 8,251</u>	<u>\$ 8,251</u>

# Downriver Recreation Commission

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2005

	General Fund - Modified Accrual Basis	Adjustments	Statement of Activities - Full Accrual Basis
<b>Revenue</b>			
Recreation fees	\$ 47,701	\$ -	\$ 47,701
Ticket sales	5,404	-	5,404
Intergovernmental revenue:			
Township of Clay	47,500	-	47,500
City of Algonac	40,000	-	40,000
Skate park contributions	358	-	358
Grant income	125	-	125
Interest	119	-	119
Other income	5,174	-	5,174
	<u>146,381</u>	<u>-</u>	<u>146,381</u>
Total revenue			
<b>Expenditures</b>			
Recreation coordinator	37,230	-	37,230
Summer staff	14,514	-	14,514
Insurance	2,957	-	2,957
Fringe benefits	13,404	-	13,404
Travel and conference	1,308	-	1,308
Telephone	681	-	681
Utilities	7,500	-	7,500
Payroll service	377	-	377
Supplies and publicity	9,857	-	9,857
Class instruction	27,816	-	27,816
Other sports and activities	13,433	-	13,433
Special events	2,357	-	2,357
Crafts and field	1,826	-	1,826
Concerts	4,500	-	4,500
Cost of tickets	6,135	-	6,135
Master plan	7,500	-	7,500
Equipment	40	-	40
Skate park maintenance	210	-	210
	<u>151,645</u>	<u>-</u>	<u>151,645</u>
Total expenditures			
<b>Excess of Expenditures Over Revenue/Change in Net Assets</b>	(5,264)	-	(5,264)
<b>Fund Balance/Net Assets - Beginning of year</b>	<u>13,515</u>	<u>-</u>	<u>13,515</u>
<b>Fund Balance/Net Assets - End of year</b>	<u>\$ 8,251</u>	<u>\$ -</u>	<u>\$ 8,251</u>

# Downriver Recreation Commission

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## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of Downriver Recreation Commission (the "Commission") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### Reporting Entity

Downriver Recreation Commission is the recreational policy-making authority for the City of Algonac, the Township of Clay, and the Algonac Community School District. The primary organizational goal is to meet residential recreational needs to the greatest extent possible during all seasons of the year, for all age groups, and for both sexes.

The Commission is governed by a nine-member commission. The City of Algonac, the Township of Clay, and the Algonac Community School District each appoint three members to the Commission. There are no component units that are required to be included in this reporting entity.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission's basic financial statements include both the Commission's full accrual financial statements and modified accrual financial statements.

#### **Full Accrual Financial Statements**

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables.

**Fixed Assets** - The Commission's annual capital acquisitions are insignificant and are therefore not capitalized on the full accrual financial statements.

# Downriver Recreation Commission

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## Notes to Financial Statements June 30, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Modified Accrual Financial Statements**

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Deposits**

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Commission is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Commission has designated one bank for the deposits of its funds. The investment policy adopted by the Commission in accordance with Public Act 196 of 1997 is in accordance with the state statutory authority as listed above.

# Downriver Recreation Commission

## Notes to Financial Statements June 30, 2005

### Note 2 - Deposits (Continued)

At year end, the cash and cash equivalents reported in the basic financial statements consist entirely of deposits in the form of checking accounts. The Commission's deposits are subject to custodial credit risk which is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. At year end, the Commission's deposits were reflected in the accounts of the bank at \$16,302 (without recognition of checks written but not yet cleared or of deposits in transit) and were covered entirely by federal depository insurance. The Commission does not have a deposit policy for custodial credit risk.

### Note 3 - Budget Information

The annual budget is prepared by the Commission's treasurer and adopted by the Commission's board; subsequent amendments are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America and adopted at the activity level (as shown in the required supplemental information budgetary comparison schedule - General Fund).

**Excess of Expenditures Over Appropriations** - During the year, the Commission incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended	
	Budget	Actual
General Fund:		
Travel and conference	\$ 1,150	\$ 1,308
Telephone	500	681
Other sports and activities	8,300	13,433
Special events	1,300	2,357
Crafts and field	1,000	1,826

The unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

# **Downriver Recreation Commission**

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## **Notes to Financial Statements June 30, 2005**

### **Note 4 - Risk Management**

The Commission is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Commission participates in the state pool program of the Michigan Municipal Risk Management Authority (“the Authority”) for claims relating to property loss, torts, and errors and omissions. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Commission is covered under the City of Algonac’s workers’ compensation insurance plan.

The state pool program of the Michigan Municipal Risk Management Authority risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

## **Required Supplemental Information**

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# Downriver Recreation Commission

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original and Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>			
Recreation fees	\$ 60,000	\$ 47,701	\$ (12,299)
Ticket sales	10,000	5,404	(4,596)
Intergovernmental revenue:			
Township of Clay	47,500	47,500	-
City of Algonac	40,000	40,000	-
Skate park contributions	1,500	358	(1,142)
Grant income	5,000	125	(4,875)
Interest	500	119	(381)
Other income	5,635	5,174	(461)
<b>Total revenue</b>	<b>170,135</b>	<b>146,381</b>	<b>(23,754)</b>
<b>Expenditures</b>			
Recreation coordinator	38,000	37,230	770
Summer staff	27,000	14,514	12,486
Insurance	3,925	2,957	968
Fringe benefits	18,000	13,404	4,596
Travel and conference	1,150	1,308	(158)
Telephone	500	681	(181)
Utilities	7,500	7,500	-
Payroll service	400	377	23
Supplies and publicity	10,000	9,857	143
Class instruction	29,600	27,816	1,784
Other sports and activities	8,300	13,433	(5,133)
Special events	1,300	2,357	(1,057)
Crafts and field	1,000	1,826	(826)
Concerts	4,500	4,500	-
Cost of tickets	10,000	6,135	3,865
Audit	960	-	960
Master plan	7,500	7,500	-
Equipment	200	40	160
Skate park maintenance	300	210	90
<b>Total expenditures</b>	<b>170,135</b>	<b>151,645</b>	<b>18,490</b>
<b>Excess of Expenditures Over Revenue</b>	<b>-</b>	<b>(5,264)</b>	<b>(5,264)</b>
<b>Fund Balance - Beginning of year</b>	<b>13,515</b>	<b>13,515</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 13,515</b>	<b>\$ 8,251</b>	<b>\$ (5,264)</b>